

TARIFF ACTION MEMO

Date: December 28, 2022

Date Filed: November 30, 2022

Statutory End Date: December 30, 2022

File No: TL9-746

Name of Utility: PTE Pipeline, LLC

Subject: Annual Transportation Rate Revision

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet No. 5 filed on November 30, 2022, with an effective date of January 1, 2023. A side-by-side copy is attached as Schedule BKC-1.

Please see attached Staff Memorandum supporting the above recommendations.

Signed: Brenda Cox Title: Utility Financial Analyst
Brenda Cox

Commission decision regarding this recommendation:

	<u>Date (if different from December 28, 2022)</u>	<u>I Concur</u>	<u>I Do Not Concur</u>	<u>I Will Write A Dissenting Statement*</u>
Kurber		<u>KKZ</u>		
Doyle		<u>RM</u> for RAD BP		
Pickett		<u>RM</u> BP		
Sullivan		<u>DS</u>		
Wilson		<u>JWW</u> JWW		

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

MEMORANDUM

To: Keith Kurber II, Chairman
Robert A. Doyle
Robert M. Pickett
Daniel A. Sullivan
Janis W. Wilson

Date: December 28, 2022

From: Brenda Cox, Utility Financial Analyst

Subject: Annual Transportation Rate Revision

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet No. 5 filed on November 30, 2022, with an effective date of January 1, 2023. A side-by-side copy is attached as Schedule BKC-1.

Background

The Point Thomson Export Pipeline (PTEP) is a 22 mile, 12-inch pipeline which transports condensate from the Point Thomson Unit to an interconnection with the Badami Pipeline. PTEP is owned and operated by PTE Pipeline LLC (PTEP LLC), which is owned by ExxonMobil Pipeline Company (EMPCo) which owns 68 percent and BP Transportation Inc which owns 32 percent. PTEP LLC has no employees. PTEP LLC entered a Master Services Agreement with EMPCo, under which EMPCo is responsible for the physical operation and maintenance of PTEP, as well as certain management functions. EMPCo executed an Operating Service Agreement with ExxonMobil Alaska Production Inc. (EMAP) where EMAP performs the physical operation and maintenance of PTEP, on behalf of EMPCo. All services provided by EMPCo and EMAP are provided at the respective company's cost, without mark-up for profit.

In Docket No. P-18-018 the Commission accepted a settlement agreement¹ filed by PTEP LLC and the State of Alaska (State), setting, among other things, permanent tariff rules, and a settlement rate of \$20.84 per barrel for the period September 1, 2018 – December 31, 2019.²

¹ Order P-18-018(3), *Order Accepting Settlement Agreement and Closing Docket*, dated August 27, 2019.

² Order P-18-018(1), *In the Matter of the Tariff revision Designated as TL2-746 Filed by PTEP LLC for Revised Rates*, dated August 29, 2018.

PTEP LLC's Settlement Agreement specifies that PTEP LLC is required to file revised interstate and intrastate rates by December 1 to be effective January 1 of each year. The rates may be no higher than the maximum rate calculated for each type of transportation, using the PTSM.³ The Settlement Agreement also allows PTEP LLC to adjust the maximum rate during the course of a year to reflect new or additional data that results in at least a 10 percent increase or decrease to the maximum rate for that year.⁴ The settlement agreement also requires PTEP LLC to provide all supporting information used to calculate the maximum rates to the State 60 days prior to filing its revised rates with the Federal Energy Regulatory Commission (FERC) and the State.⁵

Filing

On November 30, 2022, PTEP LLC filed TL9-746, proposing to increase the rate from \$7.78/bbl to \$7.85/bbl, for intrastate transportation of petroleum on the PTEP from the Point Thomson Unit to an interconnection with the Badami Pipeline, effective January 1, 2023. TL9-746 included a copy of Tariff Sheet No. 5, a hard copy printout of the 2023 rate model, PTEP LLC's subscribers list, and PTEP LLC's F.E.R.C. No. 2.12.0, Oil Pipeline Tariff filing. PTEP LLC asserted the 2023 PTE tariff is slightly higher than the 2022 tariff because the 2023 expected volumes are slightly lower (by 92,000 bbls overall).⁶

PTEP LLC advised it provided the data to support the maximum rate to the State on September 29, 2022.⁷ Although the Commission did not impose any condition on PTEP LLC to provide a hard copy printout or a disk containing the calculation of the rates using the PTSM, on December 2, 2022, PTEP LLC emailed Staff the PTEP Settlement Model and Staff held it confidential pursuant to 3 AAC 48.040(b)(10).⁸

³ See Section I-4(C)(a) of the Settlement Agreement.

⁴ See Section I-4(C)(b) of the Settlement Agreement.

⁵ See Section I-5(a) of the Settlement Agreement.

⁶ Response to Staff questions, filed December 13, 2022.

⁷ Response to Staff questions, filed December 13, 2022.

⁸ 3 AAC 48.040 Confidential Records.

(b) The following records are confidential and are not open to inspection by the public unless they are released under 3 AAC 48.049 or court order or their release is authorized by the person with confidentiality interests:

(10) records of a regulated public utility, pipeline carrier, or pipeline submitted to or copied by the commission's advisory staff during any audit, review, or investigation in connection with any formal or informal proceeding

Notice

The Commission publicly noticed TL9-746 on December 2, 2022, with a comment period ending December 23, 2022. The Commission received no comments or protests. In addition to the Commission's public notice, PTEP LLC notified the State and all parties on the subscriber list for Docket P-18-018, including all PTEP shippers over the past twelve months.⁹

Discussion

Staff reviewed the components of the Settlement Agreement and the confidential Excel schedules provided for TL9-746 and verified the rate was calculated in accordance with the PTSM. Under the PTSM, the total cost of service is calculated as follows:¹⁰ (Operating Expenses + DR&R Allowance + Depreciation + Equity AFUDC Allowance + IDC Amortization + Return on Rate Base + Income Tax Allowance + Net Carryover¹¹). The Maximum Rate for Intrastate Transportation equals the ratio of the projected Total Cost of Service divided by the projected net deliveries of petroleum, rounded to the nearest cent, as provided for in the PTSM.¹²

Staff also reviewed the model¹³ and verified PTEP LLC's assertion that the expected volumes to be delivered are less by 92,000/bbl in 2023.¹⁴

Staff has not recalculated the model's computations, but rather accepts that the PTSM model accepted by the Commission in Order P-18-018(3) functions as designed. Staff notes that it was not able to independently verify the individual cost components or throughput volumes of the rate calculations because calculations are derived from company estimates, to which Staff does not have access. Therefore, Staff is relying on the settling parties to protest the proposed rate by filing comments during the public notice period if they believe the proposed rates violate the PTSM.

⁹ TL9-746, at page 2.

¹⁰ See Section II-3(a) of the Settlement Agreement.

¹¹ The net carry over is a mechanism embedded in the rate model to ensure that over time PTEP LLC recovers its exact revenue requirements. If there is an over collection in a given year, the following year's rate is reduced by the revenue surplus (plus interest). However, in years of under collection, the following year's rate is increased by the revenue shortfall (plus interest). This mechanism ensures that over time, the pipeline carrier collects its exact revenue requirements. See Section II-13 of the Settlement Agreement.

¹² See Section II-1(c) of the Settlement Agreement.

¹³ Schedule 1, Page 1 of 3.

¹⁴ See Response to Staff questions filed December 13, 2022.

Tariff Sheets

Tariff Sheet No. 5 was filed on November 30, 2022, with an effective date of January 1, 2023.

Conclusion

Staff's review of TL9-746 indicates that PTEP LLC's proposed rate revision, as calculated, is less than or equal to the maximum allowable rate in accordance with the Settlement Agreement, and therefore, Staff recommends the Commission approve Tariff Sheet No. 5, filed in TL9-746 on November 30, 2022, effective January 1, 2023.

Signature: Keith Kurber II
Keith Kurber II (Dec 28, 2022 08:38 AKST)

Email: keith.kurber@alaska.gov

Signature: Robert M. Pickett

Email: bob.pickett@alaska.gov

Signature: Daniel Sullivan
Daniel Sullivan (Dec 28, 2022 10:01 AKST)

Email: daniel.sullivan@alaska.gov

Signature: Janis W. Wilson
Janis W. Wilson (Dec 28, 2022 10:16 AKST)

Email: janis.wilson@alaska.gov

RCA No. 746Eighth RevisedSheet No. 5**RECEIVED****APR 11 2022**STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

Canceling

Seventh RevisedSheet No. 5**PTE PIPELINE, LLC**

ITEM	FROM	TO	RATE PER BARREL	
3.1	Point Thomson Unit Central Production Facility, Alaska	Badami Pipeline Connection, Alaska	\$7.78	[R]

[R] Denotes a reduced rate

Tariff Advice No. TL8-746

Effective Date: May 1, 2022

Issued by: PTE Pipeline, LLC

By: 
Andrew LimmerTitle: PresidentExhibit A
Page 1 of 1RCA No. 746Ninth RevisedSheet No. 5

Canceling

Eighth RevisedSheet No. 5**PTE PIPELINE, LLC**

			RATE	
Item	From	To	Rates Dollars and Cents Per Barrel	
3.1	Point Thomson Unit Central Production Facility, Alaska	Badami Pipeline Connection, Alaska	\$7.85	[I]

Symbol: [I] Denotes an Increase

Tariff Advice No. 9-746Effective Date: January 1, 2023Issued by: PTE Pipeline, LLCBy: 
Andrew LimmerTitle: President

Schedule BKC-1